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FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FRIEND'S OF NORD, INC.

For the year ended December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

**ERNEST J. FOLSE III
CERTIFIED PUBLIC ACCOUNTANT**

CONTENTS

Auditor's Report.....	2
Statement of Financial Position.....	4
Statement of Activities.....	5
Statement of Cash Flows.....	6
Statement of Functional Expenses UPARR.....	7
Statement of Functional Expenses Louisiana Department of Arts.....	8
Statement of Functional Expenses National Endowment for the Arts.....	9
Notes to Financial Statements.....	10
 <u>OTHER</u>	
Schedule of Governmental Financial Assistance.....	13
Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards.....	14
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133.....	16
Schedule of Findings and Questioned Cost.....	18

ERNEST J. FOLSE III, C.P.A.

INCORPORATED

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friend's of NORD, Inc.
New Orleans, LA

I have audited the accompanying statement of financial position of Friends of NORD, Inc. (a nonprofit organization) as of December 31, 2004, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on our audit.

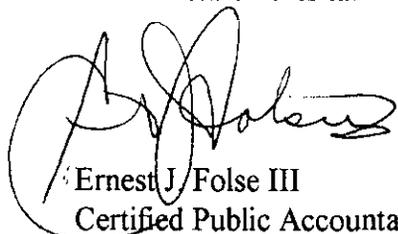
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph presents fairly, in all material respects, the financial position of Friends of NORD, Inc. as of December 31, 2004 and the changes in its net asset and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated April 30, 2005 on my consideration of Friend's of NORD, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the financial statement of Friends of NORD, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements.

Such information has been subjected to the auditing procedures applied in the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ernest J. Folse III", written over a circular stamp.

Ernest J. Folse III
Certified Public Accountant
April 30, 2005

FRIEND'S OF NORD, INC.
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2004

ASSETS

Current	
Cash	<u>\$851,772</u>
Total Assets	<u><u>\$851,772</u></u>

LIABILITIES AND NET ASSETS

Liabilities (All Current)	
Payroll Taxes Payable	\$9,884
Total Liabilities	<u>9,884</u>
<u>Net Assets</u>	
Unrestricted	(28,949)
Temporarily Restricted	<u>870,837</u>
Total Net Assets	<u>841,888</u>
Total Liabilities and Net Assets	<u><u>\$851,772</u></u>

The accompanying notes are an integral part of these financial statements.

FRIEND'S OF NORD, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>SUPPORT AND REVENUES</u>	Unrestricted	Temporarily Restricted	Total
Current Year Award			
Grant/contract support	\$-----	\$731,148	\$731,148
Contributions	554,882	-----	554,882
Fundraisings	5,584	-----	5,584
Interest income	6,545	-----	6,545
Pledges	1,450	-----	1,450
Other income	33,909	-----	33,909
Contributed Services:			
Accounting	9,500	-----	9,500
Legal	2,378	-----	2,378
Surveying	4,385	-----	4,385
Net assets released from restrictions			
Satisfaction of purpose restrictions	-----	(360,437)	(360,437)
Total support and revenue	<u>618,634</u>	<u>370,711</u>	<u>989,345</u>
 <u>EXPENSES</u>			
Programs:			
Project Playground	225,796	-----	225,796
Partnerships In Recreation	160,643	-----	160,643
Total program expenses	<u>386,438</u>	-----	<u>386,438</u>
Administrative Expenses	190,416	-----	190,416
Contributed Services:			
Accounting	9,500	-----	9,500
Legal	2,378	-----	2,378
Surveying	4,385	-----	4,385
Total expenses	<u>593,117</u>	-----	<u>593,117</u>
 Increase (Decrease) In Net Assets	25,517	370,711	396,228
 Net Assets, December 31, 2003	<u>(54,466)</u>	<u>500,126</u>	<u>445,660</u>
Net Assets, December 31, 2004	<u><u>(\$28,949)</u></u>	<u><u>\$870,837</u></u>	<u><u>\$841,888</u></u>

The accompanying notes are an integral part of these financial statements.

**FRIEND'S OF NORD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Cash Flows From Operating Activities:</u>	<u>Total</u>
Change in Net Assets	\$396,228
Adjustment to Reconcile Change in Net Assets to Net Cash Used for Operating Activities:	
Decrease in Grants Receivable	25,000
Decrease in Accounts Payable	(134)
Increase in Payroll Taxes Payable	8,904
	429,998
<u>Cash Flows From Investing Activities:</u>	
Net Cash Used By Investing Activities	0
<u>Cash Flows From Financing Activities:</u>	
Net Cash Used By Financing Activities	0
Net Increase in Cash	429,998
Cash and Cash Equivalents, December 31, 2003	421,774
Cash and Cash Equivalents, December 31, 2004	\$851,772

The accompanying notes are an integral part of these financial statements.

**URBAN PARK AND RECREATION RECOVERY PROGRAM (UPARR)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	PROGRAM SERVICES			
	<u>F.P. JACKSON PLAYGROUND</u>	<u>ROFFIGNAC PLAYGROUND</u>	<u>SORAPARU PLAYGROUND</u>	<u>Totals</u>
EXPENSES:				
Consulting & Supervision	\$4,763	\$4,764	\$850	\$10,377
Change Order	(1,084)	1,949	7,286	8,151
Bond Fees	823	3,735	-----	4,558
Concrete, Paving & Resurfacing	46,620	57,805	42,000	146,425
Electrical & Plumbing	7,750	15,824	2,800	26,374
Fencing	2,470	-----	9,250	11,720
Insurance	-----	-----	4,050	4,050
Landscaping & Maintenance	6,150	-----	12,250	18,400
Playground Equipment	42,765	25,025	1,670	69,460
Signage	4,610	2,380	-----	6,990
Supplies	3,645	5,045	2,500	11,190
Total Expenses	<u>\$118,512</u>	<u>\$116,527</u>	<u>\$82,656</u>	<u>\$317,695</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF LOUISIANA DEPARTMENT OF ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>PROGRAM</u>	<u>ADMINISTRATIVE</u>	<u>Totals</u>
EXPENSES:			
Instruction Fees	\$3,955	\$-----	\$3,955
Artist Fee	8,613	-----	8,613
Studio Rental	-----	-----	0
TV Fees	-----	-----	0
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$12,568</u>	<u>\$0</u>	<u>\$12,568</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL ENDOWMENT FOR THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	PROGRAM	ADMINISTRATIVE	Totals
EXPENSES:			
Campus Housing for Artist	\$3,200	\$-----	\$3,200
Artist Fee	12,000	-----	12,000
Studio Rental	3,925	-----	3,925
TV Fees	11,050	-----	11,050
	\$30,175	\$0	\$30,175
	\$30,175	\$0	\$30,175

The accompanying notes are an integral part of these financial statements.

FRIENDS OF NORD, Inc.
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization

Friends of NORD, Inc. is a nonprofit corporation organized under the laws of the State of Louisiana. The mission statement of the corporation is to raise funds and foster public participation for the revitalization of New Orleans's treasured neighborhood playgrounds and to provide funding for after-school educational recreation programs. The corporation's support comes from individuals, corporate donations, foundation grants and government funding grants.

2. Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. They are presented on the accrual basis of accounting.

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Cash Equivalents

The Corporation considers all demand deposits and short-term investments with an original maturity of three months or less to be cash equivalents.

FRIENDS OF NORD, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2004

5. Financial Statement Presentation

In 1995 the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a Statement of Cash Flows. As permitted by this new statement, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present three classes of net assets required.

6. Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donor assets. When a donor restriction expires that is when a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net asset and reported in the statement of activities as net assets released from retractions. Pledges and other unrestricted income are included in unrestricted net assets.

During the year ended 2004 the Corporation had received conditional pledges from a combination of private and government donors in an amount over \$1,800,000.00. Pledges are expected to be received over the period of 2004 through 2007.

NOTE B - INCOME TAXES

The Corporation is a not-for-profit organization that is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Code.

NOTE C - ADMINISTRATIVE SUPPORT (CONTRIBUTED SERVICES)

The Corporation received administrative support for the period of this audit in the form of contributed services for legal and accounting services. No compensation was paid for these services. The support is reflected in the financial statements and is valued at the contributors stated billing rates.

FRIENDS OF NORD, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2004

NOTE D - BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation was paid to any Board Member during the period from inception through December 31, 2004.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Specific grant programs	<u>\$727,148</u>
Total temporarily restricted net assets	<u>\$727,148</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows:

Purpose restriction accomplished:	
UPARR	\$ 317,695.00
Louisiana Department of Arts	30,175.00
National Endowment for the Arts	<u>12,568.00</u>
Total	\$ 360,437.00

**FRIEND'S OF NORD, INC.
SCHEDULE OF GOVERNMENTAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>FEDERAL REVENUES</u>	<u>FEDERAL EXPENSES</u>
MAJOR				
Urban Park and Recreation Recovery (UPARR) Program				
Pass Through City of New Orleans UPARR (From 04/01/04 through 03/31/05)	15.919	22CTY-1690-0101	245,455 *	245,455
CDBG Funds / UPARR Match	N/A	N/A	84,528	72,240
Department of the Army U.S. Army Engineering District Inner Harbor Navigation Canal Lock Replacement Project Neighborhood Park & Playground (From 04/01/04 through 03/31/05)	N/A	W912P8-04-1-0001	200,000	-----
State of Louisiana Department of Arts	N/A	N/A	14,504	12,568
National Endowment for the Arts	N/A	N/A	40,000	30,175
Total Governmental Financial Assistance			<u>\$584,487</u>	<u>\$360,438</u>

Note: The accompanying schedule of expenditures of governmental financial assistance is prepared on the accrual basis of accounting.

N/A - Not Available

*Major program as indicated by OMB Circular A-133

The accompanying notes are an integral part of these financial statements.

ERNEST J. FOLSE III, C.P.A.

INCORPORATED

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Friends of NORD, Inc.

I have audited the financial statements of **Friends of NORD, Inc.** (a nonprofit corporation) as of and for the year ended December 31, 2004, and have issued my report thereon dated April 30, 2005. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **Friends of NORD, Inc.** financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

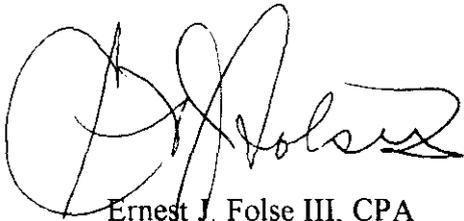
Internal Control Over Financial Reporting

In planning and performing my audit, I considered **Friends of NORD, Inc.** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

(CONTINUED)

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'E. Folse III', written in a cursive style.

Ernest J. Folse III, CPA
New Orleans, LA
April 30, 2005

ERNEST J. FOLSE III, C.P.A.

INCORPORATED

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
Friends of NORD, Inc.
New Orleans, LA.

Compliance

I have audited the compliance of **Friends of NORD, Inc.** with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2005 **Friends of NORD, Inc.'s** major federal program is identified in the summary of auditor's results of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of **Friends of NORD, Inc.'s** management. My responsibility is to express an opinion on **Friends of NORD, Inc.'s** compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about **Friends of NORD, Inc.'s** compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on **Friends of NORD, Inc.'s** compliance with those requirements.

In my opinion, **Friends of NORD, Inc.'s** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

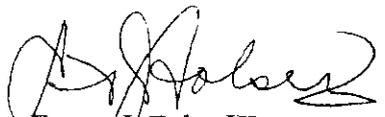
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Internal Control Over Compliance

The management of **Friends of NORD, Inc.'s** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered **Friends of NORD, Inc.'s** internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedure for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Ernest J. Folse III
Certified Public Accountant
April 30, 2005

Friend's of NORD, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2004

Section I – Summary of Auditor's Results

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified
not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

State Awards

Internal Control over state programs:

Material weakness(es) identified? yes no

Reportable condition(s) identified
not considered to be material weakness(es)? yes none reported